

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF NEW JERSEY**

**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

**v.**

**ARKADIY DUBOVOY, et al.,**

**Defendants.**

**CA No. 15-cv-06076 (MCA)**

**DECLARATION OF DR. EUGENE P.  
CANJELS IN SUPPORT OF  
PLAINTIFF'S MOTION FOR A  
DEFAULT JUDGMENT**

I, Eugene P. Canjels, Ph.D., pursuant to 28 U.S.C. § 1746, declare as follows:

**I. Qualifications**

1. My name is Eugene P. Canjels. I am an Assistant Director in the Division of Economic and Risk Analysis at the U.S. Securities and Exchange Commission (the “Commission”). I currently work in the Office of Litigation Economics and provide financial, economic, and statistical analyses to assist the Commission in its enforcement investigations. I obtained my Ph.D. in Economics from Northwestern University with specializations in Applied Microeconomics and Econometrics.

2. I have taught graduate level courses in financial econometrics, microeconomics, time-series analysis, cross-section econometrics, and mathematical methods. I have published in the Review of Economics and Statistics, and served as a reviewer for other peer-reviewed journals in economics, including the Journal of Econometric Theory, the Journal of Applied Econometrics, and the Journal of Economic Dynamics and Control. In addition to a doctorate

from Northwestern University, I hold a Master’s degree in Quantitative Economics from Maastricht University in the Netherlands.

3. I testified as an expert witness at the hearing regarding the Commission’s motion for a preliminary injunction against certain defendants, including David Amaryan, in this case. I also testified as an expert witness in the related criminal trial, *United States v. Korchevsky*, No. 15-cr-381 (E.D.N.Y.) (RJD).

## II. Scope

4. Commission staff asked me to assist in an investigation of trading activity in advance of the public distribution of company press releases (hereinafter “news events” or “events”) by three newswire services, Business Wire, Marketwired and PR Newswire (collectively, “Newswires”). Among other things, I was asked to perform a quantitative and statistical analysis of the trading activity in the account held in the name of defendant Nelia Dubova (account \*4899) at a U.S. broker, which traded securities on the U.S. markets, including the New York Stock Exchange and NASDAQ, to determine if the trading was based on pre-publication press release information obtained from the Newswires and, if so, to calculate profits resulting from such trading. This declaration is based on my training, experience, and analysis of the trading in this account to date. The available trading records for this account covers the period from July 19, 2012 through March 15, 2013 (the “Relevant Period”).

## III. Data

5. In conducting my analysis, I reviewed and analyzed the following data:
  - a. A database of press releases distributed by Marketwired, PR Newswire, and Business Wire (the “Events Database”). The database contains

information on press releases issued by publicly traded companies and distributed to the general public through these three newswires services. Among other things, the Events Database contains the stock symbol of the company and the distribution date and time of the press release. The Events Database also contains information on the date and time that the publicly traded company (also called an “issuer”) electronically uploaded the press release to any of these three newswire services (the “submission” date and time).

- b. Trading records from various broker-dealers. This data contains details on the purchases and sales of securities, including common stock and options.
- c. Information from publicly available commercial databases, including stock price information (from the Center of Research in Security Prices (“CRSP”)) and company earnings information and analyst earnings expectations (from I/B/E/S (“IBES”)).

## **IV. Events Database Observations**

6. The Events Database contains information on approximately 920,000 news events for over 20,000 companies. My observations of the Events Database are as follows:

- a. The Newswires typically distribute press releases containing company earnings news when the markets are closed, either shortly after the markets close (*i.e.*, after 4 p.m. ET) or before the markets open (*i.e.*, before 9:30 a.m. ET). Non-earnings news is more likely to be distributed during hours when the markets are open.

- b. Publicly traded companies typically upload press releases containing earnings and non-earnings news to the Newswires late in the morning or during the afternoon.
- c. The Newswires typically disseminate press releases containing earnings and non-earnings news within 24 hours of upload.

7. These observations lead to the following conclusions:

- a. A trader who unlawfully obtained a press release of a publicly traded company before it was publicly disseminated would typically have a short window of time to trade based on this information (*i.e.*, the time from upload to market close).
- b. If press release upload to the Newswires happened after the close of the market, a trader would have limited opportunity to profitably trade on the information, due to a lack of liquidity in or access to after-hours trading.

## V. Trading Analysis

8. Creation of Roundtrip Database: I created a database of “roundtrip” transactions to serve as the basis for my analysis. I define a “roundtrip” transaction as a transaction that is opened (*i.e.*, a new position, either long or short) and then subsequently closed (*i.e.*, an offsetting position, the opposite of what was done to “open” the position, is taken).

9. Comparison of Trading Activity and Gains Between News Event Trades and All Other Trades: I isolated News Event Trades by (1) identifying all roundtrips where a position was opened before the Newswire disseminated the press release and closed after dissemination, (2) removing all events where a position was opened before the press release was uploaded, and (3) removing all roundtrips that took more than three calendar days from open to close.

10. I found that the Dubova account placed 68 News Event Trades representing 68% of the total dollars traded by that account during the relevant period. (*See Table 1*). The Dubova account realized \$725,762 in gross profits on its News Events Trades. (*See Table 1 and Table 2*).

I declare under penalty of perjury under the laws of the United States of America, pursuant to 28 U.S.C. § 1746, that the foregoing is true and correct to the best of my knowledge, information and belief.

September 30, 2019

Washington, D.C.



Eugene P. Canjels

## Summary of Trading

| Account | Number of News<br>Events Trades | Total Dollars<br>Traded Around<br>News Events | Total Dollars<br>Traded | % Dollars Traded<br>Around News<br>Events | Gross Profits<br>Around News<br>Events |
|---------|---------------------------------|---|-------------------------|---|--|
| Dubova  | 68                              | \$20,744,365                                  | \$30,434,571            | 68%                                       | \$725,762                              |

Pursuant to Federal Rule of Evidence 1006, this Exhibit summarizes the content of voluminous records produced by the Newswire Services and trading records for the relevant accounts.

## Dubova (Account \*4899)

| Total Gross Profit: |        |                                | \$725,762       |          |                               |                     |                                 |              |
|---------------------|--------|--------------------------------|-----------------|----------|-------------------------------|---------------------|---------------------------------|--------------|
| ID                  | Ticker | Company Name                   | News Event Date | Newswire | Press Release Submission Time | Earliest Trade Time | Press Release Distribution Time | Gross Profit |
| 1                   | AMD    | ADVANCED MICRO DEVICES INC     | 7/19/12         | MW       | 7/19/12 1:25 PM               | 7/19/12 2:45 PM     | 7/19/12 4:16 PM                 | \$13,875     |
| 2                   | GNTX   | GENTEX CORP                    | 7/24/12         | MW       | 7/20/12 3:13 PM               | 7/23/12 3:18 PM     | 7/24/12 6:09 AM                 | \$21,437     |
| 3                   | LVS    | LAS VEGAS SANDS CORP           | 7/25/12         | MW       | 7/24/12 11:08 PM              | 7/25/12 2:52 PM     | 7/25/12 4:01 PM                 | \$28,320     |
| 4                   | EHTH   | EHEALTH INC                    | 7/26/12         | MW       | 7/26/12 1:13 PM               | 7/26/12 2:22 PM     | 7/26/12 4:15 PM                 | \$296        |
| 5                   | DGI    | DIGITALGLOBE INC               | 7/31/12         | MW       | 7/31/12 11:50 AM              | 7/31/12 1:51 PM     | 7/31/12 4:01 PM                 | \$419        |
| 6                   | ECOL   | U S ECOLOGY INC                | 7/31/12         | MW       | 7/30/12 2:53 PM               | 7/30/12 3:41 PM     | 7/31/12 6:00 AM                 | \$3,134      |
| 7                   | WLT    | WALTER ENERGY INC              | 8/1/12          | MW       | 8/1/12 1:48 PM                | 8/1/12 3:23 PM      | 8/1/12 4:00 PM                  | \$6,344      |
| 8                   | PKT    | PROCERA NETWORKS INC           | 8/2/12          | MW       | 8/2/12 12:53 PM               | 8/2/12 2:20 PM      | 8/2/12 4:05 PM                  | \$107        |
| 9                   | ESL    | ESTERLINE TECHNOLOGIES CORP    | 8/6/12          | MW       | 8/6/12 1:58 PM                | 8/6/12 3:29 PM      | 8/6/12 4:00 PM                  | \$3,515      |
| 10                  | AVA    | AVISTA CORP                    | 8/7/12          | MW       | 8/6/12 3:07 PM                | 8/6/12 3:33 PM      | 8/7/12 7:05 AM                  | \$923        |
| 11                  | CXW    | CORRECTIONS CORP AMERICA NEW   | 8/8/12          | MW       | 8/8/12 2:37 PM                | 8/8/12 3:45 PM      | 8/8/12 4:10 PM                  | \$740        |
| 12                  | PODD   | INSULET CORP                   | 8/8/12          | MW       | 8/8/12 11:28 AM               | 8/8/12 3:47 PM      | 8/8/12 4:10 PM                  | \$1,206      |
| 13                  | SF     | STIFEL FINANCIAL CORP          | 8/8/12          | MW       | 8/8/12 1:12 PM                | 8/8/12 3:13 PM      | 8/8/12 4:05 PM                  | \$5,858      |
| 14                  | MDVN   | MEDIVATION INC                 | 8/9/12          | MW       | 8/9/12 1:55 AM                | 8/9/12 2:18 PM      | 8/9/12 4:10 PM                  | \$444        |
| 15                  | FXEN   | FX ENERGY INC                  | 8/9/12          | MW       | 8/9/12 11:35 AM               | 8/9/12 2:20 PM      | 8/9/12 4:00 PM                  | \$569        |
| 16                  | NVDA   | NVIDIA CORP                    | 8/9/12          | MW       | 8/8/12 7:48 PM                | 8/9/12 2:45 PM      | 8/9/12 4:20 PM                  | \$5,853      |
| 17                  | PEGA   | PEGASYSTEMS INC                | 8/9/12          | MW       | 8/9/12 10:33 AM               | 8/9/12 2:14 PM      | 8/9/12 4:30 PM                  | \$7,512      |
| 18                  | CSCO   | CISCO SYSTEMS INC              | 8/15/12         | MW       | 8/14/12 8:03 PM               | 8/15/12 2:55 PM     | 8/15/12 4:05 PM                 | \$7,303      |
| 19                  | NTAP   | NETAPP INC                     | 8/15/12         | MW       | 8/14/12 9:32 PM               | 8/15/12 2:38 PM     | 8/15/12 4:01 PM                 | \$37,762     |
| 20                  | BRCD   | BROCADE COMMUNICATIONS SYS INC | 8/16/12         | MW       | 8/15/12 8:01 PM               | 8/16/12 2:20 PM     | 8/16/12 4:05 PM                 | \$22,511     |
| 21                  | ESL    | ESTERLINE TECHNOLOGIES CORP    | 8/30/12         | MW       | 8/30/12 1:17 PM               | 8/30/12 3:18 PM     | 8/30/12 4:00 PM                 | \$8,701      |
| 22                  | FNSR   | FINISAR CORP                   | 9/4/12          | MW       | 9/4/12 12:12 PM               | 9/4/12 3:08 PM      | 9/4/12 4:00 PM                  | \$21,488     |
| 23                  | ALGN   | ALIGN TECHNOLOGY INC           | 10/17/12        | MW       | 10/17/12 3:13 AM              | 10/17/12 2:14 PM    | 10/17/12 4:00 PM                | \$244,254    |
| 24                  | CDNS   | CADENCE DESIGN SYSTEMS INC     | 10/24/12        | MW       | 10/23/12 2:24 PM              | 10/23/12 3:27 PM    | 10/24/12 4:05 PM                | \$7,531      |
| 25                  | SWI    | SOLARWINDS INC                 | 10/25/12        | MW       | 10/24/12 2:54 PM              | 10/24/12 3:29 PM    | 10/25/12 8:00 AM                | \$14,483     |
| 26                  | LVS    | LAS VEGAS SANDS CORP           | 11/1/12         | MW       | 10/31/12 8:33 PM              | 11/1/12 2:26 PM     | 11/1/12 4:01 PM                 | \$11,207     |
| 27                  | NTAP   | NETAPP INC                     | 11/14/12        | MW       | 11/13/12 9:29 PM              | 11/14/12 3:37 PM    | 11/14/12 4:01 PM                | \$65,210     |
| 28                  | SYMC   | SYMANTEC CORP                  | 1/23/13         | MW       | 1/23/13 1:51 PM               | 1/23/13 2:48 PM     | 1/23/13 4:00 PM                 | \$887        |
| 29                  | JNPR   | JUNIPER NETWORKS INC           | 1/24/13         | MW       | 1/24/13 1:08 PM               | 1/24/13 2:21 PM     | 1/24/13 4:05 PM                 | \$15,003     |
| 30                  | VMW    | VMWARE INC                     | 1/28/13         | MW       | 1/28/13 11:13 AM              | 1/28/13 2:29 PM     | 1/28/13 4:01 PM                 | \$7,666      |
| 31                  | NXPI   | N X P SEMICONDUCTORS N V       | 1/30/13         | MW       | 1/30/13 12:49 PM              | 1/30/13 2:16 PM     | 1/30/13 8:05 PM                 | \$1,105      |
| 32                  | ALGN   | ALIGN TECHNOLOGY INC           | 1/30/13         | MW       | 1/30/13 1:34 AM               | 1/30/13 2:44 PM     | 1/30/13 4:00 PM                 | \$21,764     |
| 33                  | QDEL   | QUIDEL CORP                    | 2/12/13         | MW       | 2/12/13 11:56 AM              | 2/12/13 2:37 PM     | 2/12/13 4:05 PM                 | \$858        |
| 34                  | SCI    | SERVICE CORP INTERNATIONAL     | 2/12/13         | PR       | 2/12/13 12:54 PM              | 2/12/13 2:23 PM     | 2/12/13 4:03 PM                 | \$4,687      |
| 35                  | AWH    | ALLIED WORLD ASSUR CO HLDGS AG | 2/13/13         | PR       | 2/12/13 11:03 AM              | 2/13/13 3:35 PM     | 2/13/13 4:30 PM                 | \$704        |
| 36                  | CXW    | CORRECTIONS CORP AMERICA NEW   | 2/13/13         | MW       | 2/13/13 2:20 PM               | 2/13/13 2:46 PM     | 2/13/13 4:30 PM                 | \$3,489      |
| 37                  | EOG    | EOG RESOURCES INC              | 2/13/13         | PR       | 2/12/13 11:10 AM              | 2/13/13 3:35 PM     | 2/13/13 5:17 PM                 | \$3,600      |
| 38                  | STMP   | STAMPS COM INC                 | 2/13/13         | MW       | 2/13/13 2:44 PM               | 2/13/13 3:28 PM     | 2/13/13 4:30 PM                 | \$25,433     |
| 39                  | AVA    | AVISTA CORP                    | 2/20/13         | MW       | 2/19/13 3:25 PM               | 2/19/13 3:44 PM     | 2/20/13 7:05 AM                 | \$12,404     |
| 40                  | SNPS   | SYNOPSYS INC                   | 2/20/13         | PR       | 2/19/13 7:06 PM               | 2/20/13 2:05 PM     | 2/20/13 4:05 PM                 | \$19,966     |
| 41                  | RWT    | REDWOOD TRUST INC              | 2/21/13         | PR       | 2/20/13 7:20 PM               | 2/21/13 2:08 PM     | 2/21/13 4:17 PM                 | \$3,072      |
| 42                  | AVG    | A V G TECHNOLOGIES N V         | 2/21/13         | PR       | 2/21/13 12:20 PM              | 2/21/13 1:36 PM     | 2/21/13 4:15 PM                 | \$32,935     |
| 43                  | CYBX   | CYBERONICS INC                 | 2/22/13         | PR       | 2/21/13 3:23 PM               | 2/21/13 3:46 PM     | 2/22/13 7:00 AM                 | \$9,085      |
| 44                  | SGY    | STONE ENERGY CORP              | 2/25/13         | PR       | 2/25/13 2:02 PM               | 2/25/13 3:51 PM     | 2/25/13 4:03 PM                 | \$14,274     |
| 45                  | DAR    | DARLING INTERNATIONAL INC      | 2/27/13         | PR       | 2/26/13 2:57 PM               | 2/27/13 3:04 PM     | 2/27/13 4:30 PM                 | \$1,512      |
| 46                  | BIOL   | BIOLASE INC                    | 3/6/13          | MW       | 3/6/13 1:33 PM                | 3/6/13 3:24 PM      | 3/6/13 4:05 PM                  | \$6,317      |

Total Gross Profits: \$725,762

Pursuant to Federal Rule of Evidence 1006, this Exhibit summarizes the content of voluminous records produced by the Newswire Services and trading records for the relevant accounts.  
 Note: MW refers to Marketwired and PR refers to PR Newswire.